

German Alliance for Trade Facilitation

Enabling developing countries to reap the benefits of trade facilitation

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As a federal enterprise, GIZ has over 50 years of experience in a wide variety of areas, including economic development and employment promotion, energy and the environment, as well as peace and security. GIZ works in demand around the globe – from the German government to European Union institutions, the United Nations, the private sector and governments of other countries. The main commissioning party is the German Federal Ministry for Economic Cooperation and Development.

AN ANTIDOTE TO PROTECTIONISM

The current challenges to the liberal multilateral trade regime are on everyone's mind. Tensions between major trading partners have been rising over the last months and trade experts are increasingly calling for a modernization of the World Trade Organization (WTO). These developments seem to underline the current rise of protectionism as well as the potential for trade wars. Naturally, as trade builds the foundation of large parts of our modern economies, an aggravation of such tensions in the global trading system can threaten economic stability, jobs and growth. In the midst of these concerns, it is important to remember that there is a vivid example of how multilateralism can still work today: the WTO Trade Facilitation Agreement (TFA).

The WTO members adopted this agreement in the course of the Ninth Ministerial Conference in Bali in 2013. After ratification by more than two thirds of all WTO members almost four years later, it entered into force as the first multilateral agreement in the history of the WTO. By simplifying, modernizing and harmonizing import and export procedures with its customs formalities and transit provisions, the agreement is expected to substantially boost global

trade. On average, the WTO expects the implementation of the TFA to significantly reduce trade costs and thereby spur the growth of global trade by more than US\$ 1 billion a year.

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SOLVING THE PROBLEM OF INEFFICIENT IMPORT AND EXPORT PROCEDURES IN THE DEVELOPING WORLD

International trade is an engine for economic development. Therefore, the removal of trade barriers is in the interest of both businesses and governments. Complex customs regulations, import controls, non-transparent procedures and a lack of appropriate IT systems are especially hard on developing and emerging economies, as great transaction costs impede the access of national businesses to global markets. Conversely, international enterprises see few incentives to invest in a country with an adverse trade and investment climate.

Therefore, the TFA makes an essential contribution to the United Nations' (UN) 2030 Agenda for Sustainable Development. This agenda includes 17 Sustainable Development Goals (SDGs) designed to achieve economic, social and environmental tar-

gets for people, planet and prosperity. By reducing the considerable trade costs in developing and emerging countries, implementing the TFA helps to better integrate these countries and their businesses into the global economy. Trade facilitation can thus be a substantial lever for creating jobs, stimulating growth and thereby alleviating poverty.

THE GERMAN ALLIANCE FOR TRADE FACILITATION AS A SUCCESSFUL MULTI-STAKEHOLDER PARTNERSHIP FOR THE 2030 AGENDA

Leveraging the resources and the expertise of international companies through a close collaboration between politics and business are a crucial means to achieving the SDGs.

The German Alliance for Trade Facilitation puts this approach into practice. The Multi-stakeholder partnership uses its strong network to contribute to the 2030 Agenda. Within the Alliance, corporations, business associations and the German and partner country governments work together to implement the TFA and eliminate bureaucratic burdens. This starts by leveraging the maximal engagement of Germany for TFA implementation support.

Firstly, the participating units of the German government contribute to the Alliance within the scope of their competences in the field of trade facilitation. The German Federal Ministry for Economic Cooperation and Development (BMZ) is responsible for funding and ensures political support for the Alliance's projects. The German Federal Ministry for Economic Affairs and Energy (BMWi) represents the Alliance in the context of Germany's contribution to the TFA. Other German border agencies provide their expertise on a demand basis. The

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH serves as project coordinator for all Alliance projects and shares its reliable contacts with all involved parties. Its world-spanning network builds the foundation for successful operations in developing and emerging economies.

Secondly, German companies collaborate actively within the Alliance, for example by initiating new projects or actively engaging in already existing ones. By doing so, private sector players are able to provide expertise to projects and cooperate with experts of the GIZ and local government authorities in finding solutions to existing trade barriers.

Thirdly, business associations assume an internal as well as external communication role both at the German federal and state levels and facilitate the involvement of small and medium-sized enterprises within the Alliance. They disseminate the Alliance's activities through various channels of communication, such as journals or information events.

THE ALLIANCE'S APPROACH TO TRADE FACILITATION REFORM PROJECTS

The Alliance's approach for implementing the TFA is project-oriented. It directly asks businesses about their trade and customs issues and offers them a chance to solve these problems by working together with partner countries. Corporations can thus actively contribute to implementing projects and to developing solutions jointly with partner governments. In the process, the Alliance combines the aims of development cooperation with business interests by creating mutual benefits for both the private and the public sector.

The three-tier structure of the Alliance network in Germany is replicated in project countries of the Alliance. The initial input and the trade facilitation challenges raised by the German network are scrutinized and re-confirmed together with local stakeholders. On the ground, the Alliance matches the priorities of the government and of border agencies with the priorities of international and national companies as well as business associations. Taking the concerns and the expertise of all stakeholders into account, a trade facilitation reform project that benefits all stakeholders is then agreed upon. Working together in a collaborative spirit to achieve a commonly agreed goal, the project partners from the public and the private sector each provide a unique set of skills and experiences that are essential to the joint implementation of the project.

»The projects significantly reduce time and costs for trade procedures.«

The projects significantly reduce time and costs for trade procedures. In addition, reform measures address the problem of informal customs payments: digitalizing customs procedures and developing standard operating procedures as foreseen in the TFA make border clearance less prone to corruption and facilitation fees. After suc-

cessfully concluding a project, the Alliance examines possibilities for a regional or global scale-up to include other countries.

Inspired by the success of first completed Alliance projects, three other BMZ-funded Initiatives rely on the Alliance project approach and the proof-of-concept for their own projects. Seven countries worldwide are profiting from this global up scaling and use the Alliance approach for reform projects.

The German Alliance also cooperates with its partner initiative, the Global Alliance for Trade Facilitation (GATF). The GATF pursues a similar approach at the global level. The Global Alliance for Trade Facilitation is a collaboration of international organizations, governments and businesses. The Global Alliance is led by the Center for International Private Enterprise, the International Chamber of Commerce and the World Economic Forum, in cooperation with GIZ.

The Global Alliance is funded by the governments of the United States, Canada, the United Kingdom, Australia, Denmark and Germany. It works to help governments in developing and least developed countries to implement the World Trade Organization's Trade Facilitation Agreement. This is done by bringing together governments and businesses as equal partners to identify opportunities to address delays and unnecessary red-tape at borders and design and deploy targeted reforms that deliver commercially quantifiable results.

TANGIBLE RESULTS OF ALLIANCE PROJECTS

The German Alliance's approach verifiably works. Reducing trade costs benefit businesses and governments alike. It strength-

ens local suppliers, facilitates their integration into global supply chains and supports the development of new markets. In this way, the Alliance contributes both to the implementation of the TFA and the achievement of the SDGs, since many measures in the TFA have a direct link with the SDGs.¹ For example, article 6 of the TFA includes the requirement to avoid conflicts of interest in the assessment and collection of penalties and duties, which can help to reduce corruption and bribery, covered by SDG target 16.5.

The successfully concluded German Alliance project in Montenegro serves as an example for the Alliance's impact and illustrates how the Alliance approach works. Montenegro had notified to the WTO that it needed assistance to implement "pre-arrival processing", one of the reforms required by the TFA. The Alliance was able to leverage resources from express operators to develop a systematic solution for implementation of pre-arrival processing for express consignments together with the Montenegrin customs administration and with the Ministries of Finance and Trade. This included the development of an IT system, reviewing and adapting existing regulations as well as training of individual capacities of customs officers for the new procedure, including study trips for knowledge transfer and regional learning.

After two years of work, the customs administration in Montenegro is now fully electronically processing express consignments prior to arrival. As a result, the number of express shipments released within one hour of their arrival has doubled from initially 25% to now over 50%.

In Serbia, the Alliance successfully implemented a similar project on pre-

arrival processing. Due to the high impact of both projects, neighboring countries in the region are now applying the Alliance approach as well. Similar projects are currently planned in Albania, Bosnia, Kosovo, Macedonia and Moldova.

»Stakeholders can become agents for change in their country and promote the idea of multilateralism.«

BUILDING MUTUAL TRUST AND GENERATING AGENTS FOR CHANGE AS A DRIVER FOR MULTILATERALISM

These results underline how the German Alliance for Trade Facilitation can enable developing countries to reap the benefits of trade facilitation. The Alliance brings together global policy with real-life day-to-day challenges of local traders and customs officers.

On one hand, its projects profit from the global momentum and political will generated by the SDGs and the ratification of the Trade Facilitation Agreement. On the other hand, all involved local and international actors plan, discuss and implement projects together in the Alliance. By building mutual trust and integrity, these stakeholders can become agents for change in their country and promote the idea of multilateralism.²

¹ UNCTAD (2015) Reaping Benefits From Trade Facilitation https://unctad.org/En/Publicationslibrary/Presspb2015d16_En.Pdf

² If you would like to find out more about the Alliance for Trade Facilitation, visit <https://www.tradefacilitation.de/> or contact Mattia Wegmann, Project Director or Philipp Kruschel, Head of the Secretariat of the German Alliance on tradefacilitation@giz.de.